InfoPlate Brief

BUSINESS INTELLIGENCE / ETHIOPIA

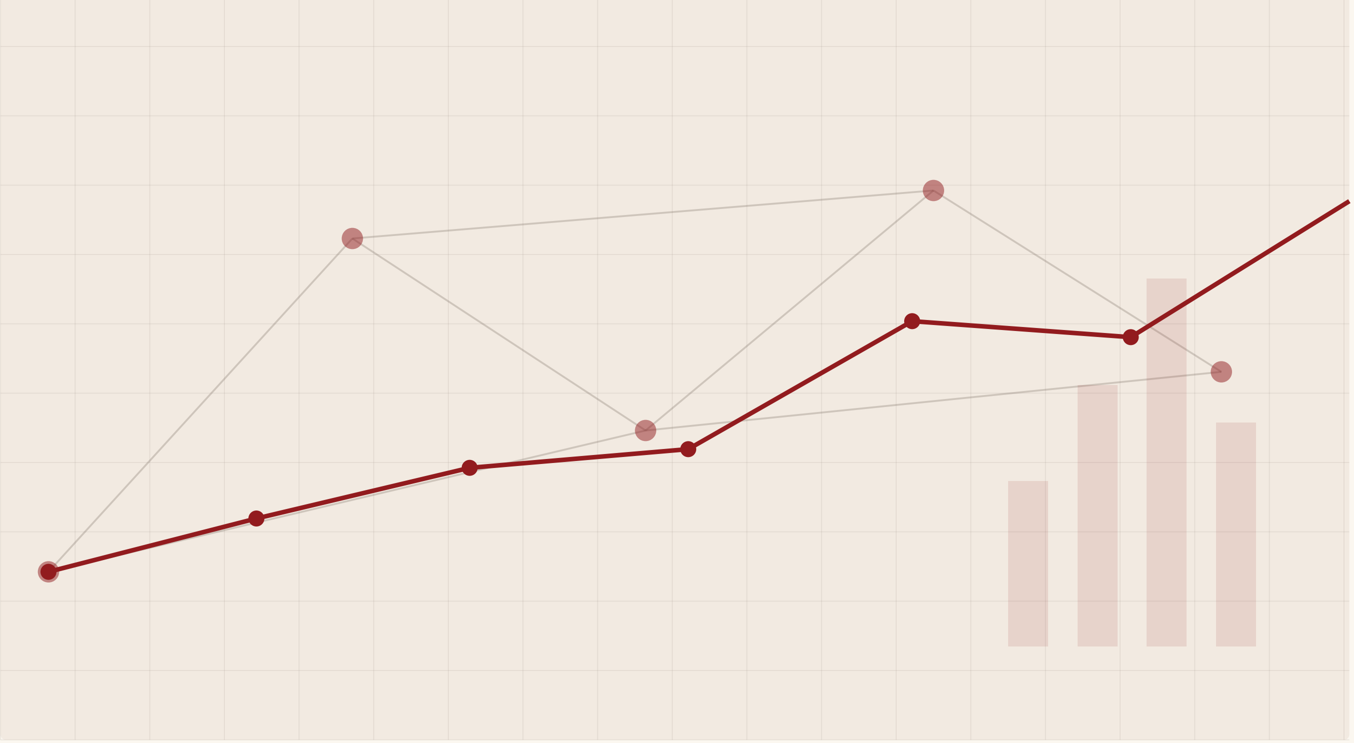
DIASPORA / FINANCE / INVESTMENT

DIASPORA BRIEF / JULY 2026

The Diaspora Capital Opportunity

Record Remittances, Formalisation, and the Gap Between Transfers and Productive Investment

SIGNAL / EVIDENCE / IMPLICATION



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KEY INDICATORS AT A GLANCE

$7.17B **Formal remittances FY2024/25** *Ethiopian Diaspora Service; 2merkato.com, Aug 2025*	**$8B** **Remittance target FY2025/26** *CBE / Ethiopian Diaspora Service target, Aug 2025*	**22%** **Share through formal channels** *CBE President Abe Sano; Birr Metrics, Oct 2025*	**$35B+** **Estimated total incl. informal** *CBE est.; if all flows formalised*
$6B+ **FY2023/24 remittances** *ENA / Ethiopian Diaspora Service, July 2024; +50% YoY*	**3M+** **Ethiopians in diaspora** *World Bank; 85 countries; largest African diaspora*	**6.7%** **Avg. formal transfer cost** *World Bank RPW June 2024; above SDG 3% target*	**Jan 2025** **ESX launched** *Ethiopian Securities Exchange; 1 listing; Wegagen Bank*

DATA INTEGRITY NOTE *The $7.17 billion formal remittance figure is sourced to Ethiopian Diaspora Service Director General Ambassador Fitsum Arega (2merkato.com, August 2025). The 22% formalisation rate and the $35 billion total estimate are from CBE President Abe Sano (Birr Metrics, October 2025), speaking in Pretoria, South Africa; these are executive estimates, not independently verified by a primary statistical survey. The transfer cost figures are from the World Bank Remittance Prices Worldwide database (June 2024). The ESX listing count is from ESX.et and published news as of July 2026. Single-source claims are flagged inline.*

01 THE NUMBER: $7.17 BILLION IN FORMAL REMITTANCES AND WHAT IT DOES NOT CAPTURE

FY2024/25 Formal Inflows Set a National Record. The CBE Says That Is 22% of the Real Total. Both Numbers Matter.

Ethiopia received $7.17 billion in formally recorded remittances in FY2024/25, according to the Ethiopian Diaspora Service Director General Ambassador Fitsum Arega (2merkato.com, August 2025). This is a national record, surpassing the previous high of over $6 billion in FY2023/24, itself a 50% increase over the prior year. The trajectory is unambiguous: formal remittance inflows have grown from approximately $4 billion annually in the five years before the birr reform to $7.17 billion in the first full fiscal year after it. The reform effect is direct: when the official exchange rate was held at an artificial peg, diaspora senders had a strong incentive to route money through the parallel market to obtain better rates. The July 2024 managed float removed the primary motivation for informal routing and accelerated a shift that the DEBO campaign and CBE Connect infrastructure was designed to capture.

- **THE 22% PROBLEM:** In October 2025, CBE President Abe Sano disclosed that only 22% of total Ethiopian diaspora remittances flow through formal channels, with the remaining 78% moving through informal networks including hawala agents and hand-carry (Birr Metrics, October 2025; Capital Newspaper, January 2026). If the $7.17 billion formal figure represents 22% of total flows, the implied total diaspora financial contribution is approximately $32-35 billion annually. CBE President Sano stated directly that "if all diaspora funds were channelled legally, the country could earn more than $35 billion annually." This figure is an estimate, not a verified primary source, and should be treated as an order-of-magnitude signal rather than a precise measurement. What it does confirm is that the formal remittance record significantly understates the true scale of diaspora financial engagement with Ethiopia.
- **THE DEVALUATION EFFECT ON REMITTANCE CHANNELS:** The July 2024 birr reform is the single most significant policy event in the formalisation of remittance flows. Before the reform, the official rate was pegged at ETB 57 per dollar while the parallel market traded at ETB 130 or above. Sending money through formal bank channels at the pegged rate meant losing 50-60% of value relative to the informal market. The devaluation closed that gap. At ETB 160 official with a 12-15% parallel premium (ETB 173-180), the cost differential between formal and informal channels has narrowed to a

level where formal routing is competitive for most senders. The $7.17 billion FY2024/25 figure directly reflects this shift: it represents both genuine growth in diaspora transfers and a structural shift from informal to formal channels that had been suppressed for years by the artificial peg.

- **THE US REMITTANCE LEVY RISK:** A new risk factor emerged in early 2026: the proposed 1% US remittance levy on transfers sent through certain channels as part of US domestic fiscal policy changes. The Institute for Foreign Affairs Ethiopia (IFA, February 2026) assessed this as a meaningful external shock, not because the 1% rate is large in isolation, but because it increases friction at the margin and incentivises substitution back toward informal channels. The US is the single largest source corridor for Ethiopian diaspora remittances. A levy that raises formal transfer costs by 1 percentage point on the margin shifts the cost-benefit calculation for senders who are already at the boundary between formal and informal routing. The net effect depends on how the levy is implemented and whether fintech platforms are exempted, but the directional risk is a partial reversal of the formalisation gains achieved since July 2024.

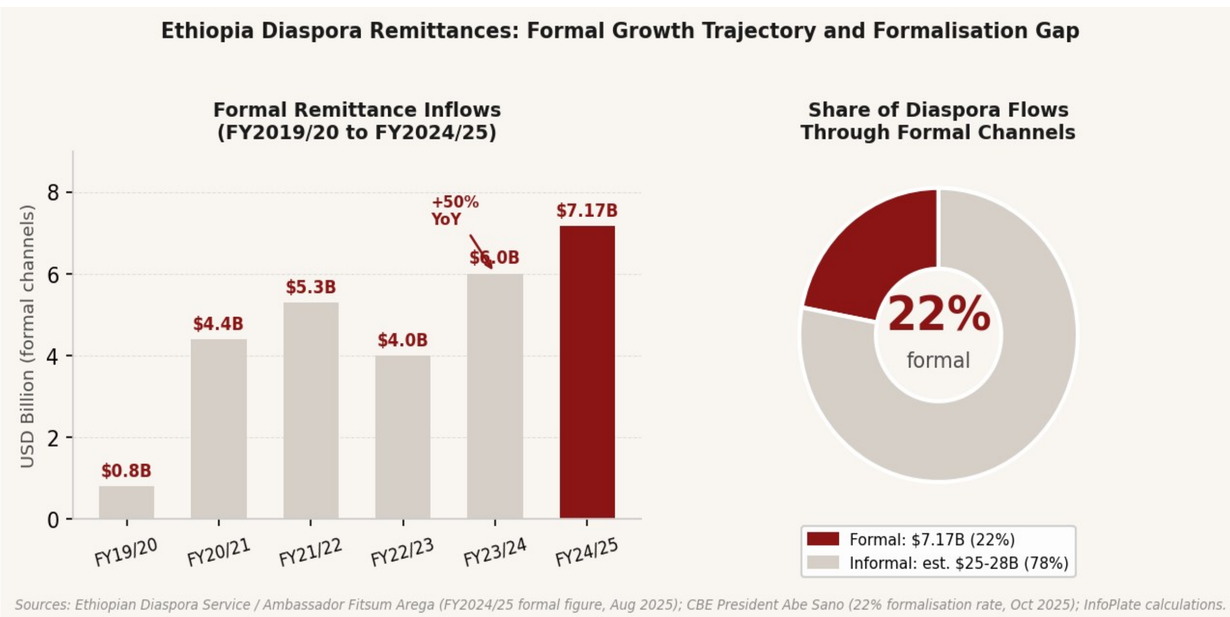

Figure 1: Ethiopia Formal Remittance Trajectory and Formalisation Gap | Sources: Ethiopian Diaspora Service (Aug 2025); CBE President Abe Sano (Oct 2025); InfoPlate calculations

02 THE DIASPORA: WHO THEY ARE, WHERE THEY ARE, AND WHAT THEY SEND

Three Million Ethiopians Abroad. Eighty-Five Countries. A $7 Billion Annual Transfer That Is Neither Evenly Distributed Nor Fully Understood.

Ethiopia's diaspora is estimated at more than 3 million people across 85 countries (World Bank; Ethiopian Diaspora Service). The geographic concentration is significant: the United States, Saudi Arabia, UAE, Israel, and Sudan collectively account for the majority of diaspora population and remittance volume. The Middle East concentration carries specific risk: Saudi Arabia and UAE diaspora are predominantly low-skilled contract workers in domestic service and construction, sending smaller average amounts under greater financial pressure than the professional diaspora in North America and Europe. The US and European diaspora send larger amounts per household but to a smaller number of recipients. Understanding the concentration and character of each corridor is prerequisite to designing effective mobilisation strategy.

- **THE NORTH AMERICA AND EUROPE PROFESSIONAL CORRIDOR:** The US, UK, Canada, and major European cities host a diaspora characterised by higher educational attainment, professional employment, and longer-established settlement. This segment sends larger average remittances ($300-500 per transaction based on IOM corridor data), is more likely to invest beyond household support, and is the primary target of the government's diaspora investment programmes. Ambassador Fitsum Arega noted that two major companies have already been established through diaspora investment: one by the UK diaspora and one by the France diaspora, with investors leveraging liberalised investment policies and joint venture frameworks. These are early-stage signals, not yet a trend, but they indicate the investment intent that policy is trying to activate.
- **THE MIDDLE EAST WORKER CORRIDOR:** Saudi Arabia and UAE together host a large number of Ethiopian domestic workers and contract labourers, sending money home under tighter financial constraints than the North American diaspora. This segment is the most exposed to the US remittance levy risk insofar as it uses informal channels most heavily (hawala networks are deeply embedded in the Gulf-Horn of Africa corridor). It is also the most exposed to bilateral policy risk: Ethiopian workers in Saudi Arabia have faced periodic deportation campaigns and labour disputes that directly affect remittance flows. The concentration of remittance dependency on this corridor is a structural vulnerability that DEBO and CBE Connect are explicitly designed to address by reducing the cost advantage of informal routing.
- **THE TRANSFER COST PROBLEM:** The average cost of sending $200 to Ethiopia through formal channels in 2024 was 7.2%, and $500 cost 5.6% (World Bank Remittance Prices Worldwide, June 2024). The SDG target is below 3%. Ethiopia is above the sub-Saharan African average on cost, meaning formal channels remain more expensive than the benchmark despite improvements. CBE Connect, launched January 2026, is the flagship attempt to compress this cost by providing a direct digital wallet mechanism that bypasses the traditional money transfer operator infrastructure. Whether it can drive costs below the informal channel equivalent, which has near-zero marginal cost for the sender when using hawala networks, is the critical operational question.

> **BENCHMARK ANCHORING**
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> Morocco received $11.8 billion in remittances in 2024, equivalent to approximately 8.7% of GDP, with a formalisation rate above 90% (World Bank 2025). Egypt received $22 billion in 2024 (9.6% of GDP), driven by a combination of Gulf worker remittances and a parallel market that was largely unified following its own 2024 exchange rate reform. Ethiopia at $7.17 billion (approximately 4.5% of GDP on a formal-only basis) has significant room to grow both in absolute volume and in formalisation rate. Kenya received approximately $4.2 billion (3.8% of GDP) in formal remittances in 2024. Ethiopia has exceeded Kenya in formal remittance volume while remaining far below its own potential given the 22% formalisation rate.

03 THE POLICY RESPONSE: DEBO, CBE CONNECT, AND THE ESX AS DIASPORA INSTRUMENTS

Three Instruments Designed to Capture More of the $35 Billion. What Each Does, What Each Cannot Do Alone.

Ethiopia has deployed three distinct policy instruments since 2024 to accelerate diaspora financial engagement: the DEBO campaign (NBE-led, September 2024), CBE Connect (commercial, January 2026), and the Ethiopian Securities Exchange (structural, January 2025). Understanding what each instrument is designed to accomplish, and what its structural limitations are, is the prerequisite for assessing whether the $8 billion FY2025/26 target is achievable and whether the longer-term goal of formalisation is on track.

- **THE DEBO CAMPAIGN:** The NBE launched the DEBO ("Together, Investing in Tomorrow") campaign in September 2024, committing 100 billion ETB ($900 million equivalent) in collective bank funding as incentives for diaspora remitters choosing formal channels. DEBO offers preferential exchange rates, foreign currency account access, and financial products tied to remittances: mortgage loans, vehicle loans, and SME loans. The NBE simultaneously issued warnings against unlicensed money transfer operators. DEBO's logic is to reduce the cost differential between formal and informal channels to zero or below, making formal routing the rational choice. The structural limitation is that DEBO functions as a subsidy mechanism, not a structural cost reduction. It makes formal routing cheaper today without necessarily addressing the infrastructure gaps, last-mile accessibility, and trust deficits that sustain informal routing over the long term.
- **CBE CONNECT:** The Commercial Bank of Ethiopia, in partnership with local technology firm EagleLion System Technology, launched CBE Connect Digital Wallet in January 2026, alongside EagleLion's StarPay merchant payment platform. CBE Connect is a multicurrency digital wallet allowing diaspora members to hold foreign currency balances, transfer money digitally, and convert at market-based rates without the traditional money transfer operator infrastructure. CBE President Sano described it as "national infrastructure designed to capture the full $35 billion in annual diaspora remittances currently lost to informal hawala channels" (Capital Newspaper, January 2026). The platform addresses speed (settlement delays were previously measured in days), cost (broker commissions of up to 10%), and currency risk. The structural limitation is adoption: convincing diaspora senders who have established relationships with hawala networks to switch to a new digital platform requires not only a better product but demonstrated trust, reliability, and access in the destination communities where recipients need to withdraw funds in birr.
- **THE ETHIOPIAN SECURITIES EXCHANGE (ESX):** Launched January 10, 2025, by Prime Minister Abiy Ahmed, the ESX is Ethiopia's first regulated securities exchange in nearly 50 years. Currently listed: Wegagen Bank (the first and, as of mid-2026, still the primary listed security). The ESX is licensed for equities, bonds, and money market instruments; the Central Securities Depository was launched in November 2025 alongside the Ts'ega investor portal. For diaspora investors specifically, the ESX provides a new asset class: equity in Ethiopian companies, with a secondary market for liquidity, held in a regulated custodial structure. This is structurally different from the informal real estate and business investment that has historically been the primary vehicle for diaspora investment. The structural limitation is depth: one primary listing, a limited number of trading members, and a nascent clearing and settlement infrastructure. The ESX is a necessary precondition for diaspora capital market investment, not yet a functioning market at the scale that can absorb significant diaspora capital.

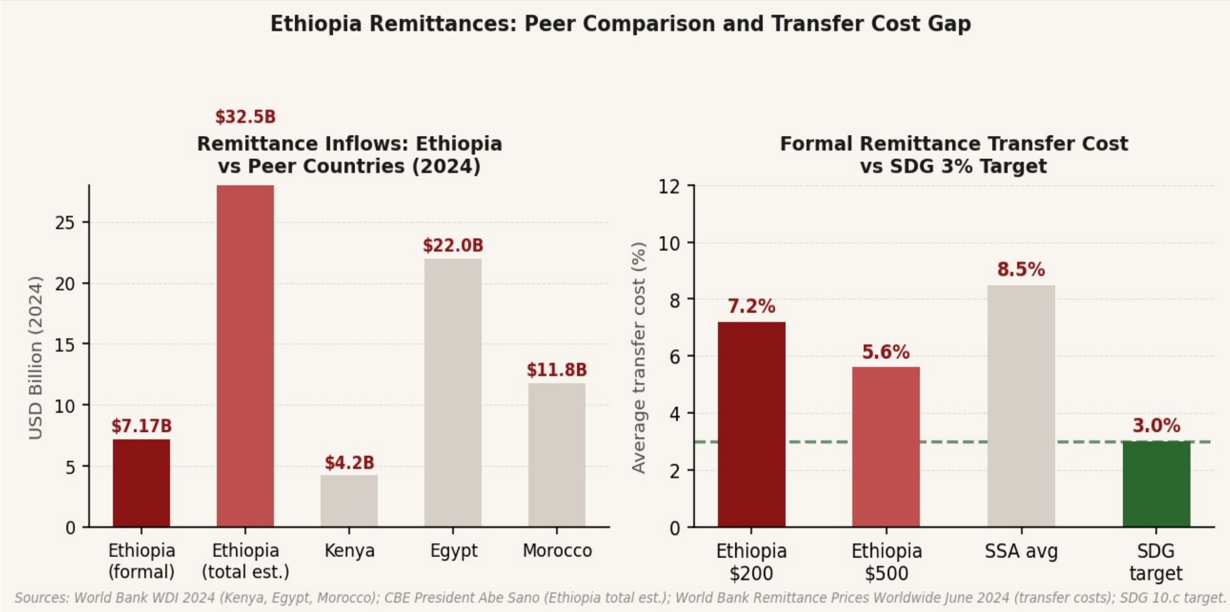

Figure 2: Remittance Peer Comparison and Transfer Cost vs SDG Target | Sources: World Bank WDI 2024; CBE estimate; World Bank Remittance Prices Worldwide June 2024

04 THE INVESTMENT SIDE: FROM REMITTANCES TO CAPITAL

$7 Billion in Transfers Is the Floor. The Question Is How Much of It Converts From Household Support Into Productive Capital.

The standard framing of diaspora remittances as a macroeconomic stabilisation variable — foreign exchange inflow, current account support, household income — is accurate but incomplete for Ethiopia's purposes. The government's explicit objective is to move diaspora engagement up the value chain: from transfer-to-family consumption toward investment in Ethiopian businesses, real estate, and capital markets. The data on where current flows go is limited, but the structural picture is well established.

- **WHERE THE MONEY GOES TODAY:** The majority of Ethiopian diaspora remittances are directed toward household consumption, housing construction, and education expenses for family members (Ethiopian Diaspora Service; IOM Ethiopia). A smaller share funds small business activities including retail trade, transport, and construction contracting. Formal investment in the sense of registered business ventures, equity stakes, or financial instruments represents a small fraction of total inflows. The Ethiopian Investment Commission (EIC) reported 273 diaspora members engaged in investment by mid-2024, of whom 50 had launched ventures creating approximately 3,000 jobs. Against a diaspora of 3 million and an annual transfer volume of $7 billion, these numbers indicate that the investment conversion rate is very low.
- **THE INVESTMENT LIBERALISATION FRAMEWORK:** Between 2024 and 2025, the Ethiopian Investment Board liberalised key sectors previously restricted from diaspora and foreign participation: banking (foreign banks may now acquire up to 49% of domestic institutions or establish wholly owned subsidiaries); retail and wholesale trade (minimum $2.5 million capital for retail); import and export trade (including raw coffee, oilseeds, and livestock). The Investment Incentives Directive No. 517/2022 provides tax exemptions and incentives by sector, location, and export orientation. Diaspora investors retain access to the Yellow Card privileges (land lease access, foreign currency accounts, dual-status investment rights) that predated these liberalisations. The 2025 Investment Climate Statement (US Department of State, September 2025) confirmed the

liberalisation direction while flagging that financial instruments beyond basic bank loans remain underdeveloped and that profit repatriation can face delays.

- **THE DUAL CITIZENSHIP QUESTION:** The Reporter Ethiopia (January 2025) published a detailed argument for dual citizenship as the next step in diaspora engagement: allowing diaspora members to invest in key sectors, own property, and establish businesses without legal or bureaucratic barriers. The Hailemelekot Asfaw essay from the Center for International Private Enterprise named dual citizenship as the policy that would unlock "the diaspora's full potential to drive innovation, entrepreneurship, and sustainable development." As of June 2026, Ethiopia does not offer formal dual citizenship. The Yellow Card system provides partial substitution: diaspora members of Ethiopian origin can access many investment and property rights without citizenship. Formal dual citizenship would remove the remaining legal ambiguity and potentially accelerate investment conversion significantly.

INVESTOR RELEVANCE

For investors and businesses thinking about Ethiopia's diaspora economy, the relevant frame is not the $7.17 billion headline. It is the gap between $7.17 billion in formal flows and an estimated $35 billion in total diaspora financial capacity. The formalisation gap is both a risk (informal flows are invisible to the formal economy, do not support banking sector liquidity, and cannot be leveraged for credit) and an opportunity (each percentage point of formalisation at the current total implies approximately $350 million in additional formal inflows). The policy trajectory is clearly toward formalisation: DEBO, CBE Connect, the ESX, and sector liberalisation are all pointed in the same direction. The question is pace, and the US remittance levy is the most immediate exogenous risk to that pace.

05 EDITOR'S OUTLOOK

The $7 Billion Record Is Real. The $35 Billion Potential Is the Story.

THE BOTTOM LINE

Ethiopia received $7.17 billion in formal remittances in FY2024/25, a national record. The birr devaluation is the primary driver: it removed the exchange rate incentive to route money informally. The DEBO campaign and CBE Connect are the infrastructure layer designed to sustain that shift and extend it further. The CBE's own analysis says formal flows represent 22% of the total diaspora financial contribution, implying a total of $32-35 billion. If that estimate is directionally correct, Ethiopia is capturing less than a quarter of its diaspora's financial capacity through regulated channels. The formalisation gap is the defining challenge and the defining opportunity in Ethiopia's diaspora economy simultaneously. Three structural conditions determine whether the formalisation trajectory continues. First, exchange rate stability: the parallel premium must stay narrow enough that formal channels remain competitive. If the parallel market widens above 20%, the incentive to route informally returns. Second, transfer cost reduction: CBE Connect and competition in the remittance corridor must drive costs below the SDG 3% target. At 6.7% average formal cost, there is still a meaningful cost disadvantage versus hawala. Third, the US remittance levy: if implemented broadly, it adds friction to the largest single diaspora corridor and risks reversing a portion of the formalisation gains made since July 2024. For investors: Ethiopia's diaspora is its largest single source of foreign exchange, exceeding both FDI and export revenue in some fiscal quarters. The diaspora is also an underutilised investor class with access to capital, market knowledge, and risk appetite that is structurally suited to Ethiopia's current development stage. The instruments to convert remittances into productive investment now exist. The pace of conversion is the variable to watch.

Sources: Ethiopian Diaspora Service / Ambassador Fitsum Arega (2merkato.com, August 2025; Ethiopian Business Review, April 2026); Ethiopian News Agency / Deputy DG Belayneh Atnaw (ENA, July 2024); CBE President Abe Sano (Birr Metrics, October 2025; Ethio Negari, October 2025; Capital Newspaper, January 2026); National Bank of Ethiopia DEBO campaign launch (NBE.gov.et, September 2024; Launch Base Africa, September 2024); CBE Connect / EagleLion StarPay (Capital Newspaper, January 2026; Kulu Media, June

2026); Ethiopian Securities Exchange / ECMA (January 2025 launch; ESX.et, July 2026); FSD Africa (ESX launch, June 2025); World Bank Remittance Prices Worldwide (June 2024 — transfer cost data); IFA Ethiopia (US remittance levy risk, February 2026); US State Department Investment Climate Statement Ethiopia 2025 (September 2025); ICLG Foreign Direct Investment Ethiopia 2026 (November 2025); Chambers & Partners Investing In Ethiopia 2026; The Reporter Ethiopia / CIPE (dual citizenship essay, January 2025); IOM Ethiopia formal remittances scaling report; World Bank WDI (diaspora population estimate); Knomad / World Bank (global remittance benchmarks 2024).